

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 450 - SB 524

April 15, 2015

SUMMARY OF BILL: Authorizes Type A and B school buses to be used for the same length of time and under the same conditions as Type C and D school buses as set forth in Tenn. Code Ann. § 49-6-2109.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Exceeds \$169,400/FY15-16 and Subsequent Years

Increase State Expenditures – Exceeds \$169,400/FY15-16 and Subsequent Years

**Decrease Local Expenditures – Net –
Exceeds \$19,130,600/FY15-16 and Subsequent Years**

Other Fiscal Impact – If transportation costs decrease statewide as a result of local education agencies choosing to defer the purchase of new or used school buses, the Basic Education Program (BEP) funding formula will generate less funding, thus decreasing state and local BEP expenditures in fiscal years in which such purchases are not made. The impact of any such decrease in the BEP funding formula will be phased in over a three year period since the BEP transportation component is based on a three-year average. Based on the calculation of the BEP funding formula the combined decrease in state and local expenditures in the BEP funding formula is estimated to exceed 6,000,000 annually.

Assumptions:

- Based on State Board of Education rules and regulations, currently Type A buses are usually removed from service at their 10th service year and Type B buses are usually removed from service at their 12th service year.
- Type A and B school buses will be eligible to be in service for 18 years without mileage restrictions and beyond 18 years with a 200,000 mile restriction.
- Two annual inspections will be performed by the Department of Safety for all such buses that remain in service for 16 years and beyond.
- The Department of Safety will be authorized to collect an additional inspection fee to offset the cost of any new inspectors that are needed to carry out additional inspections.

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- Based on the Department of Education's (DOE) 2014 Annual Statistical Report there are 440 Type A and B buses that would be eligible for extension based on service life. This number includes spare buses that may not be on the road every day.
- It is unknown how many buses will have their service life extended by local education agencies (LEAs) as a result of this bill.
- If a minimum of half of the eligible buses, 220, have their service life extended in FY15-16 by LEAs, the increase in state revenue, state expenditures for new personnel and permissive local expenditures in FY15-16 and subsequent years is estimated to exceed \$169,400 (220 x 2 inspections x 385 inspection fee).
- The average price of a school bus is \$90,000.
- If local governments elect to not purchase a minimum of 220 buses have their purchases deferred, the permissive decrease in local government expenditures in FY15-16 and subsequent fiscal years is estimated to be \$19,800,000 (\$90,000 x 220).
- Annual local expenditures for bus maintenance may increase as a result of extending the service life of buses. It is reasonably estimated that the permissive increase in local maintenance expenditures will be at least \$500,000 annually statewide; further it is assumed that the cost of maintenance is less than the cost to purchase a new bus.
- The net recurring and permissive decrease in local expenditures beginning in FY15-16 and subsequent fiscal years is estimated to exceed \$19,130,600 (\$19,800,000 - \$500,000 maintenance - \$169,400 inspection fee costs).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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